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LETTER

from the Council of the European Communities

concerning resolution of the European Parliament of 13 May 1976 on certain  
budgetary questions

PE 45.327



COUNCIL  
OF THE  
EUROPEAN COMMUNITIES

Brussels, 25 June 1976

Mr Georges SPENALE  
President of the European  
Parliament  
Case postale 1601  
LUXEMBOURG  
(Grand Duchy of Luxembourg)

Sir,

I have the honour to refer to your letter of 15 May 1976 with which you forwarded to the Council the Resolution<sup>1</sup> adopted by your Institution on 13 May and the report of your Committee on Budgets, concerning certain budgetary questions.

During the exchange of views on these budgetary questions which took place on 7 April last, I undertook to arrange that the Council should inform the Parliament of possible observations it might wish to make on these questions.

Before communicating these observations, I would like to make a few general remarks.

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<sup>1</sup> OJ No. C 125, 8.6.1976, p.30

I would like first of all to stress that, as regards one category of problems, the Council can share some of the concern which caused your Committee on Budgets to have the abovementioned report drawn up. For example, the Council also feels it desirable to improve the transparency of the Community budget as far as possible.

On the other hand, as regards a second category of problems, the Council has had to take due account of certain political requirements when adopting the position outlined below. This is particularly true, for example, for the inclusion of financial co-operation appropriations and the European Development Fund in the budget. I therefore request that due account be taken of this political background against which the technical discussions will take place.

It should also be recalled that the Commission has just submitted to the Council, and forwarded to the Parliament, a proposal for amending the Financial Regulation of 25 April 1973. The Council feels that it is in the framework of the examination of this proposal that certain of the problems raised in your report may best be solved. Obviously the conciliation procedure will be applicable in the adoption of this new Financial Regulation. I also propose to continue the dialogue instituted on the basis of the new Commission proposals, especially in the case of those problems which are urgent, and particularly the problem of commitment appropriations.

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As regards each of the questions raised in the report by the Committee on Budgets, I would like to make the following observations:

Inclusion of loans in the budget

The Council feels that the particular character of each loan issued in the Community context should be considered, before deciding whether the loan in question should be included in the budget.

As regards the loans included in the 1976 Community budget by the European Parliament, the Council noted the statement made by the Commission in the communication which is sent to the Council on 10 March 1976. This was as follows:

"So far as it is concerned, the Commission remains in favour of the inclusion of loans in the budget and of the opening of budget headings as a token entry, in order to give concrete glossary form to the guarantee which the Community must give to persons providing the capital. On the other hand, it does not want this to mean the inclusion in revenue of resources from the loan, so as not to inflate the size of the budget artificially and complicate management of the budget."

The Commission presented a proposal along these lines in the framework of the amendment of the Financial Regulation which it has just submitted.

The Council is prepared to review the matter with your Institution once it has examined this proposal.

.../...

Inclusion in the budget of financial co-operation  
appropriations and the EDF

The Parliament is aware of the difficulties arising in this context.

In this connection I wish to recall the statement which I was privileged to make before your Committee on Budgets on 7 April last, according to which the Council would strive, by the 1978 financial year at the latest, to solve the particular political problem raised by the existence of a budgetary unit of account and a European unit of account, the latter reflecting more faithfully the present relationship between the values of Member States' currencies.

As for the inclusion of the European Development Fund in the budget, this matter will be reviewed when the present Lomé Convention expires.

Commitment appropriations

The Council has examined the Commission proposal of 11 August 1975 aimed at extending the concept of commitment appropriations in the budget in order to make the execution of multi-annual projects possible.

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At this stage, the Council has reached the same conclusion as the European Parliament, namely, that the introduction of a more general system of commitment appropriations into the Community's budget should be considered during the examination of the proposal for a Regulation amending the Financial Regulation of 25 April 1973, which the Commission has just submitted to the Council and forwarded to the European Parliament.

The Council recognizes, however, that the introduction of a system of commitment appropriations into certain appropriate sectors of the budget might contribute, from the 1977 budget onwards, if possible, both to an improvement of the financing of Community projects extending over several years and to a notable reduction in recourse to carry-overs of payment appropriations: concern on these points is shared by the European Parliament and the Commission.

To this end, the Council envisages adopting soon a Regulation intended to enable commitment appropriations to be included in the 1977 budget for a list of sectors which would, in any case, comprise the European Social Fund, the EAGGF Guidance Section and research into hydrocarbons, and for operations for which a Financial Regulation will provide for entry under commitment appropriations.

In the case of the latter operations, it seems desirable to provide for entry under commitment appropriations when the decision is taken on the substance, rather than during the budgetary procedure. This entry would naturally be made after conciliation between the two Institutions, according to arrangements to be finalized jointly.

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It would also be laid down in this draft Regulation that commitment appropriations not committed at the end of the financial year for which they were included in the budget would remain available for the following financial year. At the expiry of that period, the Commission could request the retention of some of these appropriations for the following financial year.

The Council also wishes to draw your Institution's attention to the problem raised by the application to commitment appropriations relating to non-compulsory expenditure of the procedures provided for in Article 203 of the EEC Treaty, concerning the maximum rate of increase. The Council would be very interested to learn of the Parliament's opinion on the solutions which might be contemplated and which would be likely to meet with the agreement of both our Institutions.

It would be understood, however, that the position adopted by the Institutions would in no way commit them as regards the decisions to be taken later in order definitively to implement a system of commitment appropriations.

#### Supplementary budgets

The Council has noted that in most cases the supplementary budget remains virtually the sole flexible and efficient means of adapting the budget estimates during the financial year, and feels that this means should always be usable in future when there is a real and pressing need. The Council recognises, however, that it is desirable to limit the number of supplementary budgets that may be presented during the financial year to what is strictly necessary.

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The Council also feels that it would be desirable to try to group supplementary budgets together around the middle of the financial year as far as possible.

The Council likewise considers that it would be possible to examine whether greater recourse could be had to Chapter 98, in order to limit the use of supplementary budgets to the maximum extent.

### Budgetary nomenclature

The Council proposes to re-examine the budgetary nomenclature annexed to the present Financial Regulation. It feels that the nomenclature should be amended periodically in future.

The Council recalls that adaptations of the nomenclature which are of an urgent nature or which appear necessary during budgetary procedure, as laid down in the present Financial Regulation.

As regards more particularly, the budget remarks the Council feels that, once the draft budget has been drawn up, amendments to the budget remarks should only be made during the budgetary procedure.

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Budgetary transparency

The Council entirely agrees with the European Parliament that the budget should be as clear a document as possible.

The Council feels that the finances of the bodies or units mentioned in Mr GERLACH's report, whether decentralized bodies or specialized units in the Commission, should be managed according to sound financial principles.

In this context, it is obvious that the statements of revenue and expenditure of the bodies in question should be made available to the budgetary authority, where appropriate in the form of working documents, in order that the budgetary authority may fully exercise its supervisory powers.

As regards the harmonization of rules, the Council also feels that such harmonization is desirable, although the specific needs of the bodies in question should be taken into account.

Please accept, Sir, the assurance of my highest consideration.

J. HAMILIUS